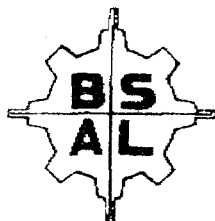


22nd
ANNUAL REPORT
2005 - 2006

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Bellary Steels and Alloys Limited



Bellary Steels and Alloys Limited

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**BELLARY STEELS & ALLOYS LIMITED**

BOARD OF DIRECTORS	: Shri. S Madhav, Managing Director Shri. G.J. Prasad, Nominee of IFCI Smt. S.Parvathi Director
EXECUTIVES	: Shri S Sivaram Prasad, President (Operations & Admin.) Shri A. Mallikarjunaappa- GM (F&A) Shri A. Raghuram – GM (Operations)
AUDITORS	: <i>M/s. Manohar Chowdhry & Associates</i> Chartered Accountants. Bangalore
BANKERS	: Central Bank of India HDFC Bank Limited Bank of Maharashtra The Dhanalakshmi Bank Ltd. Indian Bank Dena Bank Development Credit Bank Ltd. Bharath Overseas Bank Ltd.
REGISTERED OFFICE/FACTORY	: S-10/11, Anantapur Road, Bellary – 583 101. Grams: "BESTEEL" web:www.bsai.in Email : bsalbly@sancharnet.in.; bsalbly@bsai.in. Phone : 08392-261201 (4 lines), Fax: 08392-260113
CORPORATE OFFICE	: #201, 7th cross, Off.C.M.H Road, Indiranagar 1st stage, Bangalore-560038. Email:bsai@vsnl.com; bsalblr@bsai.in Phone : 080-25210461(3 lines), Fax: 080-25210460
NAME OF THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED	: Bangalore Stock Exchange Limited., No. 51, Stock Exchange Towers, J C Road Bangalore – 560 027, Ph : 22995234 Bombay Stock Exchange Limited., Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001, Ph : 22721234

22nd Annual Report 2005 - 2006**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Shareholders of M/s. Bellary Steels & Alloys Limited will be held at its Registered Office of the Company at S-10/11, Anantapur Road, Bellary - 583 101 at 11.00 a.m. on Saturday, the 30th September, 2006 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and Profit & Loss Account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Smt. S.Parvathi, who retires by rotation and being eligible, offers herself for reappointment.

SPECIAL BUSINESS :

3. To appoint Auditors and fix their remuneration.

M/s Manohar Chowdhry & Associates, Chartered Accountants, Bangalore, the retiring Auditors are eligible for reappointment.

To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT in terms of section 224 A of the Companies Act 1956, M/S Manohar Chowdhry & Associates, Chartered Accountants, Bangalore the retiring auditors of the Company be and are hereby reappointed as Auditors of the Company till the conclusion of the next Annual General Meeting at the remuneration as may be fixed by the board of directors in consultation with the Auditors".

By order of the Board
for **BELLARY STEELS AND ALLOYS LIMITED**

Bangalore
30th August, 2006

S.MADHAV
Managing Director

NOTES

- (i) Explanatory statement under section 173(2) of the Companies Act, 1956 is annexed herewith in respect of special business.
- (ii) Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and the proxy need not be a member. The proxy form should, however, be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
- (iii) The register of Members of the Company will remain closed during the period 28th September, 2006 to 30th September, 2006 (Both days inclusive)
- (iv) Members/Proxies, should bring the Attendance slip sent herewith duly filled in for attending the meeting and hand it over at the entrance of the hall.

Explanatory statement as required u/s 173(2) of the Companies Act, 1956

M/s Manohar Chowdhry & Associates, Chartered Accountants, Bangalore, were appointed as auditors in the Annual General Meeting held on 30th September, 2005 and to hold office until the conclusion of the next Annual General Meeting of the company. Accordingly they retire as this Annual general Meeting and eligible for reappointment.

The reappointment is required to be made by a special resolution as per section 224 A of the companies Act, 1956, since not less than 25% of the subscribed capital of the company is held by Public Financial Institutions.

It is proposed to reappoint them to hold office until the conclusion of the next Annual General Meeting of the company at a remuneration as may be fixed by the board of Directors in consultation with the Auditors.

Your Directors commend the resolution for approval.

None of the Directors is concerned or interested in the said resolution

By order of the Board
for **BELLARY STEELS AND ALLOYS LIMITED**

Bangalore
30th August, 2006

S.MADHAV
Managing Director

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the Twenty Second Annual Report of the Company along with the Audited Financial Statements for the year ended 31st March 2006.

INDUSTRY SCENE

The overall positive trend in the steel industry continued this-year also. The input cost have increased substantially compared to the sales realization. In the current year, many unorganized sponge iron units have come up in and around Bellary. This resulted in unhealthy competition.

FINANCIAL RESULTS

The Sales for the period under review amount to Rs.3621 Lacs compared to Rs.2448 lacs for the previous year. During the current under review, the company has produced mainly Sponge Iron on own. The company has incurred a loss of Rs.8113 lacs after tax during the year under review compared to a loss of Rs.7362 Lacs for the previous year March 05. The accumulated loss upto the year ended 31.03.2006 is Rs.43650 lacs. The company is still under BIFR as networth for the company continued to be negative.

The summarised financial results of the company are as under:

	Current Year Rs. in Lacs	Previous year Rs. in Lacs
Total Income	3,636	2,453
Gross Profit (Loss)	245	888
Less : Indirect expenses	609	501
Less: Financial charges	7,821	6,693
Profit/(Loss) before Depreciation and Income Tax	(8,185)	(6,306)
Less : Depreciation	712	695
Net Profit before Tax (Loss)	(8,897)	(7,001)
Prior Period items (net)	791	360
Less : Fringe Benefit Tax	7	0
Less : Income Tax for the year	0	0
Net Profit/(Loss) after tax	(8,113)	(7,361)
Add : Balance from the Previous year	(35,537)	(28,176)
Balance carried to Balance Sheet	(43,650)	(35,537)

DIVIDEND

In view of the loss incurred by the Company during the year under review, your Directors have decided not to recommend dividend to the shareholders.

CAPITAL

During the year the promoters have mobilized and brought in share application money of Rs.166 lacs towards completion of 2.5 MW Power Plant and augment for the working capital requirement.

ISP PROJECT

There has not been any improvement in the situation with regard to implementation of the Integrated Steel Plant Project, which has been further delayed due to inability to attain financial closure. The company is continuing its full efforts to obtain foreign investment from overseas investors towards additional equity, so that the Power project and Blast Furnace could be completed in the first phase. The promoters are also pursuing their efforts to mobilise additional equity. The company has also filed the scheme of arrangement proposal with M/s. S & Y Mills Limited, under section 393. The same is yet to be heard at Honorable High Court of Karnataka. The Company has submitted debt restructuring proposal to IDBI-SASF under CDR Scheme which is under process. The Directors are hopeful of an early solution to the situation.

DIRECTORS

Smt.S.Parvathi, Director of your Company retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS

M/s.Manohar Chowdhry & Associates,Chartered Accountants, Bangalore, Auditors of the Company retire at the conclusion of this Annual General Meeting and are eligible for reappointment. As required under section 224(1-B) of the Companies Act, 1956, the present auditors have furnished the necessary certificate.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public during the period under review.

22nd Annual Report 2005 - 2006**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.****Conservation of energy and Technology absorption:**

The information required to be furnished under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1968, is given in annexure-I forming part of this report.

Foreign Exchange Earnings and Outgo :

The foreign exchange earnings and outgo during the period are as under:

	Amount (Rs. in lacs)
Earnings :	Nil
Outgo :	
1. Imports (CIF Value)	1.00
2. Foreign Travel Expenses	10.00
3. Consultancy	3.00

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration beyond the stipulated limit in accordance with section 217 (2A) of the Companies Act, 1956 read with companies (particulars of Employees) Rules 1975 as amended upto date.

INFORMATION UNDER THE LISTING AGREEMENT

The statement containing details as required under Clause 49 of the Listing Agreement with the Stock Exchanges is appended hereto in Annexure – II and forms part of this report.

THE CORPORATE GOVERNANCE CODE

The Company has implemented the code of corporate Governance as required by the Listing Agreement introduced by Securities & Exchange Board of India.

The report of Directors on the particulars prevalent on Corporate Governance in the Company is produced as annexure-III to this report.

The Company is required to employ a Company Secretary on whole-time basis. Though the company has appointed a Company Secretary, the appointee did not report and accordingly steps have been taken to appoint alternate person. A compliance certificate from Shri.V.K.V Sarma, V.K.V.S & Co., practicing Company Secretary to fulfill the legal obligation has been obtained. The certificate of Shri.V.K.V Sarma is annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217 (2AA) of the Companies Act, 1956, your Directors state :

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) That your Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year, and of the profit or loss of the Company for the period;
- (iii) That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of this Act, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (iv) That your Directors have prepared the annual accounts as a going concern basis.

ACKNOWLEDGEMENT

Your Company maintained cordial relationships with Financial Institutions and Banks, State and Central Governments and other Statutory Bodies, customers, suppliers, share holders during the period under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement. Lastly, your Directors place on record their appreciation for the dedicated efforts put in by the employees during the year under review.

for and on behalf of the Board of Directors

Bangalore
30th August, 2006

S.MADHAV
Managing Director

S.PARVATHI
Director

**ADDENDUM TO DIRECTORS' REPORT**

1. The additional Deferred Tax Asset has been reviewed in view of the present financial position of the Company, vis-a-vis future earnings. Based on the reassessment, the company has not recognized the deferred tax asset due to uncertainty of sufficient future business income. However, the Directors are of the opinion that the Company would be in a position to earn adequate income in future, in view of the improvement in operations of the company to continue the Deferred Tax Asset.
2. In respect of determining the value of impairment of assets as on 31.03.2006, The Company will take suitable steps to comply with the accounting standards in the subsequent year.
3. Other comments are self-explanatory.

for and on behalf of the Board of Directors

Bangalore

30th August, 2006

S.MADHAV

Managing Director

S.PARVATHI

Director

POWER AND FUEL CONSUMPTION		2006	2005
5 Coal:			
Qty. Tons		59456	22865
Amount (Rs. in lacs)		1739	692
Average Rate Rs./Ton		2924	3027

6 Consumption per Unit of Production:			
Electricity Purchased (Units)		121	57
Own generation (Units)		68	14
Furnace Oil/HSD/LDO (Ltrs.)		2	6
Coal (MT.)		1	1

PRODUCTION

Steel Products	1273	0
Sponge Iron Own Production	41159	17406
JVSL Conversion	0	50006

TOTAL	42433	67412
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ANNEXURE - I TO THE DIRECTORS' REPORT**PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY FROM 01.04.2005 TO 31.03.2006**

POWER AND FUEL CONSUMPTION		2006	2005
1 Electricity:			
Units Purchased (lacs)		51	39
Amount (Rs. In lacs)		292	229
Rate per Unit (Rs.)		6	6
2 Own Generation			
Units (lacs)		2	9
Amount (Rs. in lacs)		26	76
Rate per Unit (Rs.)		13	8
Captive Power Plant			
Unit in (Lacs)		28	0
3 Furnace Oil / HSD/LDO/ SUPER KEROSENE			
Quantity KL		1	4
Amount (Rs. in Lacs)		26	76
Average Rate per LTR (Rs.)		35	19
4 Liquid Oxygen:			
Purchase+Own Generation			
Qty. 000' Cu. M.		Nil	Nil
Amount (Rs. in lacs)		Nil	Nil
Average Rate (Rs.)		Nil	Nil

ANNEXURE - II TO THE DIRECTORS' REPORT**INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

- a) De-Listing :
No application for de-listing the Company's securities has been made to any of the Stock-Exchanges.
- b) Suspension in Trading:
Trading in the Company's securities had not been suspended for any reason during the period under review.
- c) Listing Fees:
The listing fees payable for the year 2005-06 has been paid.

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ANNEXURE-III TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. BOARD OF DIRECTORS

1.1 Composition

The present Board of Directors comprises of Three Directors. The composition is as under:

Name of the Director	Position
Mr. S.Madhav	Managing Director
Mr. G.J.Prasad	Nominee Director of IFCI
Smt. S.Parvathi	Director

1.2 Meetings and attendance record of each Director

(i) Five Meetings of the Board of Directors were held during the 12 months period ended on 31.03.2006.

- | | |
|-----------------------|-----------------------|
| 1. 29th June, 2005 | 4. 30th January, 2006 |
| 2. 31st August, 2005 | 5. 20th March, 2006 |
| 3. 22nd October, 2005 | |

(ii) The attendance record of the Directors at the Board Meetings during the year ended on 31st March, 2006 and the last Annual General Meeting (A.G.M) is as under

Name of the Director	Attendance at Board Meetings	Attendance at Last AGM
Mr. S. Madhav	5	Yes
Mr. G.J. Prasad (w.e.f 29.06.05)	5	No
Smt. S.Parvathi	2	Yes
Mr. R.N.Pandey (up to 24.12.05)	3	Yes

1.3 Other Directorship

The details of other Directorships and Committee Chairmanships and Memberships held by the Directors of the Company are given below :

Name of the Director	No. of other Directorships	Board Committee* Chairman	Member
Mr. S. Madhav	6	-	-
Mr. G.J.Prasad	2	-	1
Mr. R.N. Pandey (Up to 24.12.05)	-	-	-
Smt. S.Parvathi	2	-	-

*Only two committees, namely, Audit Committee and Investors Grievance Committee are considered.

1.4 Remuneration of Directors

The details of remuneration paid to the wholtime Directors of the Company are given below:

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Notice Period
Mr.S.Madhav	3,69,000	Nil	Nil
Mr.R.N.Pandey (up to 24.12.2005)	3,81,717	1,24,047	Nil

Note : Salary includes Basic Salary, Allowances, contribution to provident and Other Funds and perquisites (including monetary value of taxable perquisites), etc.

1.5 Re-appointment of Directors

The following Directors of the Company retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under :

Name of the Director	Position
1. Smt. S.Parvathi	Director

2. AUDIT COMMITTEE

(i) Three Audit Committee meetings were held during the year ended 31st March, 2006.

(ii) The role and powers of the Audit Committee are as laid down under the relevant clause of the Listing Agreement and Section 292 (A) of the Companies Act, 1956.

3. SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE

The Company has appointed the Compliance Officer who at present is overseeing the investors' grievances. There were no complaints pending for reply as on 31st March, 2006. There were no share transfers pending for registration as on the said date.

**4. GENERAL BODY MEETINGS**

The details of Annual General Meetings held in last 3 years are as under:

Annual General Meeting	Day, Date & Time	Venue
19th Annual General Meeting	Thursday, 19th February, 2004	Registered Office
20th Annual General Meeting	Thursday, 20th September, 2004	Registered Office
Extraordinary General Meeting	Saturday, 12th March, 2005	Registered Office
Extraordinary General Meeting	Monday, 25th July, 2005	Registered Office
21st Annual General Meeting	Friday, 30th September, 2005	Registered Office
Extraordinary General Meeting	Monday, 14th November, 2005	Registered Office

5. DISCLOSURES

- (i) The details of related parties viz., Promoters, Directors or the Management, their Subsidiaries or relatives conflicting with Company's interest are given in Note No.27 of schedule 19 of the accounts.
- (ii) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the period under review.

6. MEANS OF COMMUNICATION

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they were approved by the Board. These are widely published in national and regional newspapers.

7. GENERAL SHAREHOLDERS INFORMATION**7.1 Registered Office**

Bellary Steels and Alloys Limited,
S-10/11, Ananthapur Road,
Bellary- 583101
Karnataka

7.5 Annual General Meeting

Date : 30th September, 2006
Time : 11 A.M
Venue : Regd. Office :
S-10/11, Ananthapur Road
Bellary - 583101
Karnataka

7.2 Address for Correspondence : Same as above.**7.3 Plant Locations**

1. Mini Steel Plant : S-10/11, Ananthapur Road
Bellary- 583101
Karnataka
2. Integrated Steel Plant (ISP) : P.B.36, Amarapura,
Bellary- 583103
Karnataka

7.6 Book Closure

28-09-2006 to 30-09-2006

7.7 Listing of Securities**Name of the Stock Exchanges**

- (a) Bangalore Stock Exchange Limited, Bangalore
- (b) Bombay Stock Exchange Limited, Mumbai

7.4 Share Transfer Agents

M/s. Karvy Computershare Private Limited,
"Karvy House", # 46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad – 500 034,
Andhra Pradesh.

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7.8 (a) Distribution of Shareholding:

Sl. No	Shareholding of Nominal value of Re. 1/-	No. of shareholders	Share Amount In Rs.	Nominal value % to Total
1	Upto 5000	414	134786	0.02%
2	5001-10000	5648	5630530	0.77%
3	10001-20000	3826	7548323	1.03%
4	20001-30000	2453	7232052	0.99%
5	30001-40000	1823	7242004	0.99%
6	40001-50000	4034	20127378	2.75%
7	50001-100000	5423	50554288	6.91%
8	100001 and above	5882	632982639	86.54%
	Total	29503	731452000	100.00%

7.8 (b) Market Price Data:

Month 2005-2006	Quotation at Bangalore Stock Exchange		Quotation at Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2005	Nil	Nil	7.30	6.06
May, 2005	Nil	Nil	8.09	5.94
June, 2005	Nil	Nil	7.56	6.58
July, 2005	Nil	Nil	9.99	6.57
August, 2005	Nil	Nil	10.00	8.27
September, 2005	Nil	Nil	9.93	7.18
October, 2005	Nil	Nil	7.59	5.13
November, 2005	Nil	Nil	6.43	5.60
December, 2005	Nil	Nil	5.62	5.62
December, 2005	Nil	Nil	0.72	0.54
January, 2006	Nil	Nil	0.69	0.56
February, 2006	Nil	Nil	0.55	0.43
March, 2006	Nil	Nil	0.66	0.40

Note: Face value of the Shares splitted from Rs. 10 to Re. 1 each. W.e.f. 09-12-2005.

7.9 Shareholding Pattern (as on 31.03.2006):

Category	No. of Holders	No. of Shares	% of Holding
PROMOTERS	5	227567000	31.11%
IFI	4	3060600	0.42%
FII	4	66000	0.01%
BANKS	3	12007000	1.64%
MUTUAL FUNDS	15	339000	0.05%
BODIES CORPORATE	567	115716771	15.82%
NRIs/OCBs	62	1937301	0.26%
INDIAN PUBLIC	28803	369386503	50.50%
ANY OTHER	40	1371825	0.19%
TOTAL	29503	731452000	100.00%